

May 10, 2013

Therese Trivedi
Metropolitan Transportation Commission
101 8th Street
Oakland, CA 94607

Subject: PDA Readiness Assessment; EPS #121113

Dear Therese:

Economic & Planning Systems (EPS) and Community Design + Architecture (CD+A) are very pleased to have participated in the evaluation of *Plan Bay Area's* allocation of future housing growth to Priority Development Areas (PDAs). We understand and are gratified that the results of our study have been received with interest by numerous stakeholders in the Bay Area's future development patterns, including local jurisdictions, the real estate development industry, and nonprofit organizations representing housing, environmental, and economic development interests.

With this letter we hope to add some perspective to the interpretation of our study. As you know, the study sought to evaluate the "readiness" of a representative sample of PDAs to accommodate the housing growth allocated to them under *Plan Bay Area*. We considered a variety of factors including:

- the current zoning and development regulations,
- quality and quantity of developable sites,
- political environment,
- market factors,
- infrastructure needs, and
- development financing capacity and opportunities.

Based on these factors, we estimated how many housing units we believed were likely to be developed in the selected PDAs through 2040, and compared that figure to the *Plan Bay Area* allocation. We also attempted to project how changes to certain conditions—most commonly a modest increase in allowable densities and the restoration of authorities previously held by Redevelopment Agencies—would affect the likely housing production in each PDA.

Among the 20 PDAs we examined (out of 169 total), our analysis concluded that:

1. The current zoning and land supply appear to accommodate 92 percent of the housing units that have been allocated to them;

The Economics of Land Use



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2. Under current or “baseline” conditions, we would expect roughly 62 percent of the *Plan Bay Area* housing growth to be achieved through 2040; and
3. Under the “amended” scenario with policy changes, we would expect roughly 80 percent of the *Plan Bay Area* housing growth to be achieved.

These results were intended to reflect a “most likely” outcome rather than a “best case” outcome. For example, we did not assume that major new county, regional, state, or federal funding resources would be made available. However, the narrow failure of Measure B to achieve a super-majority in Alameda County in 2012 indicates significant voter appreciation of the importance of infrastructure funding for the Bay Area’s future, and passage of such a measure would significantly improve the achievable outcomes in the PDAs. For another example, we assumed that existing zoning capacity would be increased in fewer than half of the 20 sample PDAs, despite the fact that the planning horizon of 2040 is nearly 30 years from the present date. These examples illustrate that EPS and CD+A aimed to produce results we believed were reasonable under relatively conservative assumptions, rather than assuming dramatic changes in most instances.

In light of these considerations, we believe public commentary on our study thus far has represented an overly pessimistic interpretation of our results. For example, an April 17th letter to MTC and ABAG from members of the Bay Area Business Coalition states that “The study’s results suggest that a substantial amount of the specific planned housing in *Draft Plan Bay Area* is not feasible.” Similarly, a recent letter from the Building Industry Association to the San Francisco Chronicle asserts that our study finds that the proposed development pattern in *Plan Bay Area* is not feasible. We readily concede and have documented that development of the planned housing growth is likely to face significant challenges, but we do not arrive at or accept the conclusion that housing in the PDAs can not possibly grow beyond the figures that we’ve deemed reasonable to expect.

Moreover, the Building Industry Association letter implies that planning for more growth *outside* the PDAs will lead to superior outcomes for the Bay Area’s economic growth and environmental health. While EPS and CD+A have not evaluated the capacity of non-PDA areas at the same level of detail we have applied to the sample PDAs, we do find and document that many of the same political, regulatory, market, and infrastructure challenges will constrain growth outside the PDAs. In our opinion, it is not at all certain that non-PDA areas are “ready” (as we have measured it for the sample PDAs) for significantly more growth than has been allocated to them under *Plan Bay Area*.

The Business Coalition’s letter focuses attention on the changes to the regional growth forecast for jobs and housing that have occurred throughout the planning process, and suggests that higher forecasts would improve the feasibility of development and the economic outcomes for the region. The regional growth forecasts for the *Plan* were not derived from our study. Though land and policy constraints may have been considered, EPS understands that the regional forecasts primarily were derived from a detailed econometric model of the Bay Area’s economy given its existing and expected future position in the national economy, including economic expansion and related population growth. Changes in the regional forecasts that occurred during the preparation of the *Plan* reflected changing data regarding national, state, and regional demographic and economic conditions, most notably the sustained economic recession.

In conclusion, EPS and CD+A believe that the growth allocations in *Plan Bay Area* represent an achievable, if not easy, outcome consistent with the scope and purpose of any comprehensive regional plan. We recognize the significant effort made by ABAG, MTC, and the numerous local jurisdictions and stakeholders to create the Bay Area's first Sustainable Communities Strategy and Regional Transportation Plan. While reasonable minds can disagree about many aspects of the *Plan* and its underlying analysis and local jurisdictions remain responsible for their local land use policies, we believe that *Plan Bay Area* represents a solid and important step toward prioritizing actions and investments for a more sustainable future. We also understand that *Plan Bay Area* will be updated every four years to reflect evolving policy priorities, changing economic conditions, as well as the lessons learned from its implementation over the next several years.

Sincerely,

ECONOMIC & PLANNING SYSTEMS, INC.



Darin Smith
Managing Principal



Walter Kieser
Senior Principal